

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 235 - SB 1125

April 5, 2021

**SUMMARY OF ORIGINAL BILL:** Increases, from \$10,000 to \$25,000, the threshold for which a local board of education (LEA) or governing body of a public charter school must make purchases or expenditures by competitive bids if an LEA chooses not to follow the local governing body's purchasing procedures. Establishes that counties that have adopted the County Financial Management System of 1981, the County Purchasing Law of 1957, or that are similarly centralized for purchasing, are deemed to have a full-time purchasing agent and authorized to increase the competitive bid threshold up to \$25,000 under certain conditions.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease Local Expenditures – Exceeds \$5,700/FY21-22 and Subsequent Years

**SUMMARY OF AMENDMENT (006383):** Deletes all language after the enacting clause and rewrites the bill such that the only substantive change limits applicability to LEAs located in a county having a population of 40,000 or more, according to the 2010 federal census or any subsequent federal census.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Decrease Local Expenditures – Exceeds \$2,900/FY21-22 and Subsequent Years

Assumptions for the bill as amended:

- Local boards of education and governing bodies of public charter schools are currently required to make procurement through competitive bids for purchases or expenditures at \$10,000 or greater.
- Tennessee Code Annotated § 12-3-1212 authorizes local government entities that have full-time purchasing agents to increase the threshold for competitive bids up to \$25,000.
- The proposed legislation establishes that counties that have centralized financial management or purchasing systems are deemed to have a full-time purchasing agent.
- Based on information provided by local sources, the proposed language codifies the current practice of counties operating under certain financial management systems who have designated a current full-time county employee as the purchasing agent, but do not have an employee who is designated solely as the full-time purchasing agent.

- Codifying the current practice of such counties will not result in any significant fiscal impact to local government.
- Competitive bids of \$10,000 or more are required to be solicited through advertisement in a newspaper of general circulation. Increasing that threshold will lead to fewer required newspaper advertisements.
- Based on responses to the 2017 Local Government Survey conducted by the Fiscal Review Committee staff, participating local government officials reported the average cost for a newspaper notification is \$114.
- There are 37 counties with a population greater than 40,000, according to the 2010 federal census.
- The total decrease in required newspaper publications is unknown but reasonably estimated to exceed 25 statewide per year.
- The proposed language will result in a recurring decrease in local government expenditures estimated to exceed \$2,850 (\$114 x 25) beginning in FY21-22.
- Increasing the threshold for which purchases or expenditures must be made by competitive bids will not significantly impact the terms and values of such purchases.

#### **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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